Good morning, Mr. Chairman and members of the International Trade Commission. I am Richard E. Morgan, Commissioner on the Public Service Commission of the District of Columbia. I am here today representing the National Association of Regulatory Utility Commissioners (NARUC). On behalf of NARUC, thank you for this opportunity to share our views with you today. My testimony today will focus on the State regulatory environment affecting the provision of renewable energy services in the United States, including States' existing regulatory practices that generate demand for renewable energy services.

NARUC is a quasi-governmental, nonprofit organization founded in 1889. Its membership includes the State public utility commissions for all States and territories. NARUC's mission is to serve the public interest by improving the quality and effectiveness of public utility regulation. NARUC's members regulate the retail rates and services of electric, gas, water and telephone utilities.

NARUC has often emphasized the importance of promoting clean energy resources in light of the significant benefits they can bring. These benefits include reducing energy price volatility, increasing energy independence, increasing diversity in energy supply, improving reliability, increasing energy security,

technology advancement benefits, in-State economic development benefits, and reducing the impact of energy resources on the environment.

In particular, many States are concerned about increasing natural gas price volatility and are looking at options, such as renewable energy, to alleviate this problem. Analysis by government, industry, and environmental interest groups have shown that renewable energy can provide a hedge against rising gas prices by reducing exposure to gas price risk.

The activities described below that have occurred at the State level are implemented in a manner that works best for each State's unique circumstances. NARUC believes that States should be afforded maximum flexibility to structure, apply, and supplement standards within the State in a way that best promotes the unique resource, technology, and economic goals of that State.

States have a central role to play in encouraging a diverse supply of power generation and developing clean power resources. Currently, 23 States have some form of income tax incentive for renewables. In addition, 29 States have grant programs for renewable energy technologies. Finally, 18 States have loan

programs for renewables and 12 States offer rebate programs for renewable energy technologies.

Among the most effective and popular State policies promoting renewable energy development is a renewables portfolio standard (RPS). Under an RPS, electricity sold at retail within a State must include a minimum percentage of renewable energy content, which typically increases over time toward a stated goal. RPS is a market-based mechanism which provides compliance flexibility to electricity suppliers who may trade or bank renewable credits among themselves in order to minimize the cost of meeting RPS obligations.

To date, 18 States (California, Nevada, Arizona, New Mexico, Hawaii, Minnesota, Iowa, Colorado, Texas, Wisconsin, New York, Maine, Massachusetts, Rhode Island, Connecticut, New Jersey, Pennsylvania, and Maryland), as well as the District of Columbia have established some level of Renewable Portfolio Standard (RPS) requirements.

To help explain why States are adopting policies to promote renewables, I would like to read a quote from New York State Public Service Commission Chairman

William M. Flynn. In support of New York's Renewable Portfolio Standard, Chairman Flynn has said that:

> "not only will it help us meet our growing demand for electricity, but it also will provide additional benefits by increasing fuel diversity from our State's generation portfolio, reducing our exposure to fossil fuel price spikes and supply interruptions, and increasing economic development activity from a growing renewable energy industry, and improving our environment."

Additionally, I would like to bring your attention to a report prepared on behalf of NARUC entitled "The Renewables Portfolio Standard – A Practical Guide." This report will be attached to NARUC's written submission. It is also available on the NARUC website at www.naruc.org.

This report has been widely used as a resource to governmental, industry, and environmental organizations across the country. It is aimed at assisting State policy makers and policy analysts in defining the particular goals they seek to achieve with an RPS. With many of these decisions, there is no single "right" approach; rather, the option chosen will depend on the circumstances in each state and the intended goals of policymakers.

The Texas RPS is an example of such a program. In 1999, Texas enacted its RPS, which required 2,000 megawatts of new renewable energy capacity by 2009. Currently, Texas is ahead of its annual requirement schedule with nearly 1,200 megawatts of new renewable energy already installed. Due to its RPS program, Texas has 1,096 MW of installed wind energy capacity, which places it second among all the States behind California. This development has strengthened the renewable energy industry in Texas and elsewhere. It has created new jobs and investments, as well as providing new revenue and other benefits to rural communities. Also, the State's environment has been improved by the reduction of polluting air emissions and the conservation of water resources. With a quality foundation laid by the RPS, a more robust and diversified renewable energy market has emerged in Texas, including voluntary actions.

In addition to the implementation of RPS programs, there are a variety of actions that utility regulators are taking to remove barriers to renewable energy development. For example, a number of State commissions have adopted net metering policies, whereby a small self-generating customer can receive credit for power it feeds into the grid, usually at the same price it pays for electricity at retail.

State commissions have also adopted simplified interconnection standards for small generators in order to facilitate access to the grid. In this regard, NARUC has developed the *Model Interconnection Procedures and Agreement for Small Distributed Generation Resources* to be used as resource for those State commissions, to adopt or adapt, as to interconnection proceedings in their own jurisdictions. The *NARUC Model* is available on the NARUC website at www.naruc.org. Furthermore, some State commissions have also examined rates for back-up and supplemental electric service for small generators to ensure that such rates do not discriminate against self-generators.

State commissions in several regions of the country are cooperating in the development of sophisticated tracking systems for environmental attributes of power generation, including renewable content of electricity products. Such tracking systems will help to support a State RPS, as well as supporting voluntary markets for "green power" which is derived from renewable energy sources.

Finally, some jurisdictions provide ratepayer funding for public purpose programs, which may include support for renewables projects. In the District of Columbia, we have such a fund which supports, among other things, a "renewable energy

demonstration program", as well as a forthcoming education program on net metering and distributed generation.

As discussed in this testimony, the extent and nature of regulatory policies regarding renewables vary from State to State. More information on the policies of individual States is available on the following website supported by the U.S. Department of Energy: http://www.dsireusa.org/.

In conclusion, NARUC believes that clean energy resources should be encouraged as a tool to achieve fuel diversity and greater energy security. Moreover, States have the authority to impose charges to fund programs that promote renewable energy and other measures and to implement such programs. In this regard, NARUC believes States are instrumental in moving clean energy policies and technologies forward.

We appreciate that the Commission has consulted with NARUC and we look forward to working with you in the future. I appreciate the opportunity to appear before you and I look forward to answering any questions you may have.